

existing authorities in the state are the direct result of addressing water supply or water treatment stress. As with the example of NRWASA, new regional entities are often able to attract significant public funding support. This funding support becomes a very powerful incentive that helps local governments enter into partnerships that they might otherwise have avoided due to control issues.

### **Interlocal agreements**

Most local utilities in North Carolina that work together do so not by creating an entirely new entity, but rather by relying on interlocal agreements to craft partnerships in particular areas. Utilities within the CCPCUA have entered into dozens of interlocal agreements with each other covering a range of services that impact water supply. The majority of the new agreements involve the bulk sale of treated water between utilities. The new agreements within the CCPCUA also include several very creative clauses not typically seen in other areas of the state. For example, the Greenville Utilities Commission (GUC) has entered into interruptible service agreements that provide purchasers with relatively inexpensive water for most of the year as long as they agree to maintain backup supplies that can be used for the short period of time when the GUC requires all of its capacity to serve its citizens. The economics of this type of agreement are quite favorable for both the provider and the purchaser. The provider is able to convert unused capacity into new revenue, and the purchaser is able to meet its reduction requirements without having to construct expensive new facilities. Utilities in other areas of the state most likely could benefit from sharing excess capacity; however, the

concern over losing local control and relying on others is a powerful disincentive to sharing capacity.

### **Physical interconnections**

Utilities construct interconnections with other utilities for multiple reasons, including reducing vulnerability to water shortages and droughts. The number of interconnections in the CCPCUA has ballooned over the past five years ([see maps](#)). Interconnections, when properly designed and controlled by a well thought out agreement, provide utilities with many water resource benefits. Utilities are able to access water from their neighbors during emergencies. They also permit utilities that are so inclined to trade water for economic benefits as was done in the case of the GUC agreements. What should be the role of the state in promoting interconnections? One option, as described in proposed state legislation over the past few years, would be to have the state promote interconnections and the evaluation of interconnections through regulatory requirements. Local utilities and professional associations have fought this approach, preferring that the state focus more on providing financial assistance and incentives for these connections. As far as the CCPCUA is concerned, the state has specifically required interconnections, but they have not provided significant funding assistance for utilities choosing to construct interconnections.

### **Pricing**

As mentioned above, water service pricing for government-owned utilities in North Carolina falls under the authority of locally elected or appointed governing boards (municipal councils, county boards, etc.) Historically, most utilities have viewed